BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2020-26-EG - ORDER NO. 2020-151

MARCH 13, 2020

IN RE:	Joint Petition of Duke Energy Progress, LLC, Duke Energy Carolinas, LLC, and Piedmont Natural Gas Company, Inc. for An Accounting Order Related to Settlement Accounting of Pension Expenses	)))))	ORDER GRANTING PETITION FOR ACCOUNTING ORDER

This matter comes before the Public Service Commission of South Carolina ("Commission") on the Joint Petition of Duke Energy Progress, LLC ("DEP"), Duke Energy Carolinas, LLC ("DEC") and Piedmont Natural Gas Company, Inc. ("Piedmont")(DEP, DEC, and Piedmont are hereinafter jointly referred to as the "Companies"), pursuant to S.C. Code Ann. §§ 58-3-140, 58-27-140, and 58-27-1540, S.C. Code Ann. Regs. 103-825, and other applicable rules and regulations of the Commission, to issue an accounting order for regulatory accounting purposes authorizing the Companies to record all pension plan settlement accounting impacts in regulatory asset or regulatory liability accounts and to amortize those assets or liabilities in the same manner that they would have been amortized had the settlement accounting not been triggered in 2019 ("Petition").

According to the Companies, the request for relief set forth within the Petition would not involve any change in any Commission rule, regulation, or policy, nor would it involve a change to any of DEP's, DEC's, or Piedmont's retail rates. In addition, the issuance of the requested accounting order would not prejudice the right of any party to address the prudency of pension costs incurred by DEC, DEP, or Piedmont in a future general rate case proceeding.

The Companies maintain a regulatory asset or regulatory liability on their books that includes pension actuarial losses or gains. These losses or gains are created when the pension plan's actual experience differs from assumed experience or due to changes in assumptions. Current accounting rules specify that those regulatory assets or regulatory liabilities are to be amortized, based on actuarial studies, over the average remaining service life if the pension plan is active, or the life expectancy of the plan participants if the pension plan is inactive. This amortization expense is one component of pension expense and is recorded in FERC account 926, Employee Pensions and Benefits. The amortization expense is included in cost of service, and the regulatory asset or liability is included in rate base.

Generally accepted accounting principles ("GAAP") includes a provision that can trigger a reduction in those regulatory asset or regulatory liability balances if the lump sum benefit payments from a pension plan in a year exceed a threshold amount. This threshold amount is based on the Companies' annual pension plan service costs and interest cost. The reduction in the regulatory asset or regulatory liability is referred to as settlement accounting.

The Petition states that the Companies reduced their number of employees in 2018. Many of those employees chose to take lump sum payments from the pension plan in 2019. As a result, it was determined probable in the second quarter of 2019 that lump sum payments would exceed the threshold amount for Duke Energy Corporation. In the second quarter of 2019, the Companies triggered the settlement accounting GAAP provision and booked settlement accounting entries in the second, third, and fourth quarters of 2019.

The Companies are requesting in their Petition approval to record the 2019 settlement accounting charge amounts in regulatory asset and regulatory liability accounts and to continue amortizing those amounts in the same way they would be amortized absent this settlement accounting trigger.

The Commission has received no objection to the Companies' request. The South Carolina Office of Regulatory Staff has been served with a copy of the Petition and has no objection to the Companies' request, and no opposition to the Petition has been filed in the Docket.

The Commission has fully reviewed the Companies' request for an accounting order and found it to be consistent with public interest. Granting the requested relief will not preclude the Commission or any party from addressing the reasonableness of these deferred costs in a future general rate proceeding. However, this accounting order will not limit a review of these deferred costs, including carrying costs, in future proceedings to be based simply on future changes in actuarial studies as settlement accounting impacts are affected by more than just actuarial studies. Because the prudency of these deferred costs may be considered at a future date, neither notice to the public at-large nor a hearing is required regarding this Petition. Therefore, by this Order, the Commission: (1) approves the Companies' request to record 2019 pension plan settlement accounting impacts in regulatory asset or regulatory liability accounts and (2) approves the Companies' request to amortize those assets or liabilities in the same manner they would have been amortized had the settlement accounting not been triggered.

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

Comer H Randall

Comer H. "Randy" Randall, Chairman

ATTEST:

Jocelyn Boyd

Jocelyn Boyd, Chief Clerk/Executive Director